

**INVESTIGATION OF THE INFLUENCE OF HUMAN RESOURCE POLICIES ON
EMPLOYEE RETENTION IN THE PETROLEUM INDUSTRY:
(A CASE STUDY OF HASS PETROLEUM, NAIROBI, KENYA)**

Ruth Wambui Wainaina MBA student Egerton University ruth.wambui85@yahoo.com

Tom Okioma – Lecturer, Faculty of Commerce, Kisii University college tmokioma@yahoo.com

*Erick Nyakundi Onsongo, Faculty of Commerce, Kisii University College
erickonsongo@yahoo.com*

ABSTRACT

The purpose of this study was to investigate the influence of Human Resource policies on employee retention in the petroleum industry by focusing on the case of Hass Petroleum Limited. The policies were selected with caution and bias derived from the literature reviewed on the factors that have a high likelihood of influencing retention of employees in various industries. They included; training, promotions and rewards policies. The research was conducted from the entire population of employees working in Hass petroleum (census). The total workforce comprised of 60 employees but only 55 of them responded to the study. This constituted about 92% of the target population. Data was collected using questionnaires and analyzed with the help of the Statistical Package for Social Sciences (SPSS) computer program which involved computation of descriptive statistics. A six-likert scale was used to determine the extent of relationship between variables. Factor analysis was used to determine the contribution of each variable on employee retention. Results were summarized and presented in frequency tables and pie charts. The findings of the study were that; all the employees were aware of the existence of HR policies. The major challenges attributed to failure of effective formulation and implementation of HR policies is that employees were not involved in the process and there was lack of adequate communication between the management and the employees. About half of the number of employees in Hass petroleum would leave their employer if they were given an opportunity of a higher rank in another organization. More than half the number of the

employees believed they were not adequately rewarded for the work they do in Hass Petroleum and would leave their current employer for one who would offer greater rewards. The conclusion of the study is that the training, promotions and rewards policies have a great influence on employees' retention and are the major reasons why former employees left the organization. The study recommends that employees should be involved in the formulation and revision of HR policies so that they may feel that their needs are taken care of. They should also be trained on the contents and applications of HR policies. The research only focused on employee retention in the petroleum industry. It recommends that employee retention in other industries should also be studied. Further research on other factors that influence employee retention, (other than employee policies) should also be studied.

KEY WORDS: HR; Human Resource HPL: Harsh Petroleum Limited

Background of the Study

Organizations are formed with the aim of achieving a particular purpose, whose achievement will lead to realization of the organization vision. A vision describes the intent of the formation and sustenance of an organization. The vision cannot be realized in general; therefore the means of realizing the vision is in form of objectives which are carefully crafted and defined. The objectives are assigned resources in form of individuals, materials and finances in pursuit of realizing the main vision within the specified time frame. The smooth running and success of an organization can be ensured through an appropriate management of the three resources. This study specifically focuses on the effective management of the human resources in an organization in pursuit of organizational success. In order to ensure effective human resource management, an organization should develop a tool that governs human resource practices which serves as a reference point when decisions are being made about the people who are employed in the organization. This tool is known as HR policies.

HR policies therefore refer to guidelines of the approach the organization intends to adopt in managing its people on various aspects of employment. Every organization should have a set of employee policies that ensures the employees are treated fairly, equitably and consistently as well as in recognition of legal mandates throughout the organization. Some organizations, however, have HR policies that only exist as a formality in that, the employees are either not

aware of existence of HR policies or the management does not apply the HR policies at all. The HR policies should be in line with the values and goals of each organization and they should be used to inform and guide day to day human resource decisions.

Research on employee retention has been carried out (Pizzam A.,1999, Salamin A., 2005, Sigtler K.,1999 and Stalcup L.,2001) and published in leading academic journals in the hospitality industry, education industry, food processing industries, banking industry but little attention has been given to the petroleum industry which portrays a lacuna. This study therefore focuses on the petroleum industry, a case of Hass Petroleum Limited, which is one of the organizations that deal with petroleum products in Kenya. Hass Petroleum Limited has been selected on the basis that it is an indigenous company that was started in the western part of Kenya in 1997 and it has grown to an extent of establishing a head office in Nairobi and doing business not only in Kenya but also in the Eastern and Central Africa. It has been looked at as a successful company with a comparatively rapid growth. It has also employed a great number of employees in different categories and has an established Human Resource department in the Head office.

Retention on the other hand refers to the employees' willingness to stay in a particular organization and the ability of the organization to maintain its employees in service. Organizations that retain their high performers are bound to be successful in performance and at the same time avoid expenses that are incurred in advertisement of vacant positions, recruitment and selection, induction and training new employees that follow when an employee is lost. It is therefore advisable that every organization should maintain its best performers especially in today's competitive economic arena where competitors are observed to 'poach' employees from each other.

Hass petroleum has formulated a set of HR policies in line with the organization's business values and on the belief that Human Resources policies should be fair, consistent and transparent. It is the responsibility of HR managers to ensure that the staff is aware of, understands and fully complies with the HR policies in the organization. All these measures are taken to ensure retention of high performing employees. The purpose of this study is to determine the influence of these policies on the employees' decision to leave or remain in the

organization. It will be carried out by studying the influence of specific HR policies that influence retention.

Problem Statement

The existence of HR policies in an organization provides a framework upon which the right decisions relating to employees are made. Hass Petroleum Limited Company has a HR department that attends to the employees through an array of HR policies covering the necessary human resource functions or activities. This is in pursuit of ensuring that employees are treated equitably, consistently and in line with labor legislation of Kenya. However, according to Hass Petroleum Human Resource Annual Report (2009), the organization still experienced a high employee turnover rate of 26%. It was however not known exactly what the cause of the high turnover was. However, from the literature reviewed, training, promotions and rewards aspects have been largely isolated as major causes of turnover in various industries. This study aimed at investigating the influence of this set of policies on the problem of turnover at Hass Petroleum.

Theoretical background

Successful accomplishment of organizational objectives is always the goal of any organization. For it to be achieved, the organization must carefully invest wisely on material, financial and human resources. This study focuses on the human resource aspect and means of retaining the talented workforce in the organization to enhance greater productivity. Milman (2003) concluded that the most significant retention predictors included intrinsic fulfillment and working conditions rather than monetary rewards. A variety of management techniques can be used to reduce the relative rate of turnover.

Employee mobility involves both turnover and retention, which may be considered as different sides of a coin. A worker's turnover indicates her/his separation from a given employment relationship. Conversely, retention means the existence of an ongoing employment relationship. However, most mobility studies focus on turnover (e.g. Lazear, 1999; Farber, 1994); and little has been done on retention. Meanwhile, due perhaps to difficulties in data collection or unintentional human errors, they focus on staying workers' "propensity to turnover"

(Schnake, 2000) instead of the length of time those who left actually kept their jobs. Most studies have also relied on individual-based data, including worker demographics and attitudes (Eisenberger *et al.*, 2002). They do not typically permit an examination of the worker's status in his current firm (Maertz a, 1998). In spite of its importance, only few studies have examined the topic of retention. Benchmarking approaches adopted by previous promising studies (e.g. Mitchell *et al.*, 2001; Spreitzer , 2002; Steel *et al.*, 2002; Eisenberger *et al.*, 2002; Glass, 1998), this research refer to literature about turnover and indirectly deduct factors relevant to the issue of retention. It also aims at determining the HR policies that influence the employees' decision to quit or stay in employment.

Turnover is costly for both employers and workers. Employers find replacement cost and hidden organizational cost high (Mitchell *et al.*, 2001); workers find monetary and psychological costs taxing. Human capital theory (Becker, 1962) considers voluntary turnover as an investment in which costs are borne in an earlier period in order to obtain returns over a long period of time. Therefore, the decision to stay in or leave an employment relationship involves evaluating cost and benefits. If the present value of the returns associated with turnover exceeds both monetary and psychological costs of leaving, workers will be motivated to change jobs. If the discounted stream of benefits is not as large as costs, workers will resist changing jobs (Ehrenberg , 1994). The explicit and implicit benefits associated with staying/retaining a job will be reduced if a worker is unhappy in the current job, if the immediate cost of leaving is low, if the utility from the new job is great, or if the new job offers a comparable compensation package.

Concept of Human Resource Policies

A well established organization has a vision and a mission statement describing exactly what it aims to achieve and how to go about it. An effective achievement of its goals and objectives under minimum cost coupled with a complete satisfaction of its stake holders is termed as an organizational success. Empirical evidence suggests that the establishment of well defined organizational goals and objectives influence employee retention and job productivity. Kim et al. (2005) in their study on corporate orientation found that organizational direction and support had a significant impact on employee job satisfaction and overall commitment. Susskind et al. (2000) also found that perceived organizational support strongly influences job satisfaction and

employees' commitment to their organizations. A study by Milman and Ricci (2004) revealed that among the most powerful indicators to predict hourly employee retention in the lodging industry were positive experiences with the company's policies and with the company's humane approach to employees. Based on study results, it is posited that organizational mission, goals and direction, and employee recognition, rewards and compensation represent an employee-retention prerequisite. In other words, they serve as an organizational foundation for employees and can positively impact non-management turnover. On the other hand, such organizational philosophies, practices and initiatives such as corporate culture, employee selection and promotions, and training specifically serve as influencers of overall employee retention, supporting previous propositions and findings (Buhler, 2007). The posited conclusions of these study that identified employee retention initiatives, however, do not mitigate the consideration that other programs are equally important, and should be continually employed by organizations. Thus, it is proposed that those organizational initiatives represent basic employee-retention programs or minimal requirements for any organization to be successful. Employee policies are facts that guide the relationship between the employees and the employer. Their formulation implementation and level of employee involvement inform how much the employees find the policies fair to them. Any dispute of fairness, equitability or employee involvement may impact on employee retention.

The Concept of Employee Retention

Careful investment in human resources entails the acquisition, management and maintenance of a talented workforce in an organization. It is appropriate that every new employee who reports to an organization should be adequately trained during orientation and induction process in order to be well versed with the necessary knowledge and skills to undertake the responsibilities of the position in pursuit of accomplishment of the organizational objectives. The training or induction process costs the organization a good amount of resources in terms of finances, time and equipments. However, the organization must at some point invest in this exercise. This means that the loss of an employee from an organization is a direct loss to the organization incurred, not only during the recruitment but also during replacement. Since employers replace seasoned

employees with inexperienced personnel, the remaining employees' work schedules are disrupted as they pick up the slack for employees in training (Rowley 2001).

Organizations should therefore maintain their workforce in employment to minimize on cost. This maintenance of employees in an organization is termed as retention. Turnover on the other hand refers to a phenomenon where an organization fails to retain its employees or loses its employees to other organizations. When retention rates are low, extra time and money are spent on recruiting, selecting, and training new employees that could have been spent on other activities like performance improvement or career development of employees (Abbasi, 2000). Additionally, organizations may experience a decrease in performance, efficiency, and morale, and an increase in the disorder of social networks, group cohesion, and communication (Sightler 1999). As Day (2000) argued, if companies cannot retain their employees, “the economic results could be devastating for an organization. A substantial amount of value could potentially end up employed by a competitor, or ... become the competition”. Hinkin (2000) determined that the most costly element of employee turnover, representing 60 percent, is that of lost productivity

Employees on the other hand have a role to play as far as retention or turnover is concerned. This is because they make the decision on whether to remain in their current organization or to move to other organizations. However, there are a number of factors that influence these decisions. These factors may either be from the employee's current organization or the next potential employer and they range from the terms and conditions of service, the work environment, the reward scheme, the individual career goals, the benefits, the line of command, employee management and any other factor perceived by the employee enough to influence the decision to move out. Thus the awareness of the importance of employees staying with an organization is evident (Cho et al., 2006). Scholars advocate that hospitality executives who understand the value of human capital and adopt organizational policies and management practices in pursuit of employee retention will outperform the competition. Indeed, tenured workforces not only reduce the separation, recruiting, selection and hiring costs associated with the churning of employees, but also become more productive over time, resulting in higher competitiveness and added profitability (Cho et al., 2006; Hinkin 2000). Effectively designed and well implemented employee retention programs that increase employee tenure more than pay

for themselves through reduced turnover costs and increased productivity (Simons 2001). Moreover, financially successful hospitality firms (e.g. Starbucks and Southwest Airlines) have attributed their strong performance to their emphasis on employee retention and development (Hinkin 2000).

Most organizations have taken measures to ensure that their team of employees is retained in the organization. Since the mid-1990s, scholarly research investigations have been focusing not only on determining why employees leave organizations but also concentrating on those factors positively influencing employees to stay (Hoisch, 2001). It is appropriate for organizations to have a human resource department which adheres to their terms, needs, benefits and handles all issues pertaining to the workforce and in whose docket the formulation and implementation of HR policies that guides the management of employees in the organization is bestowed. This in most countries in the world is more of a legal requirement. The HR policies inform the manner in which the employees are to be treated in the organization, their rights and rewards. They also state the manner in which employees are expected to conduct themselves in the organization as well as steps to be followed when decisions about employees are made. Lastly, the policies should also address the review and revision procedures of the policies themselves. Katou and Budhwar (2006, p. 1241), in their research based on a sample of 178 organizations in the Greek manufacturing sector, concluded that “managers should recognize that changes in employee skills, attitudes and behaviour that are caused by HR policies precede changes in organizational performance”. Purcell (1995) argued that “the challenge of human resource management is to show a link between policy, practice, and organizational outcomes that is meaningful to the corporate board.”

Relationship between HR Policies and Employee Retention.

Due to scarcity of resources, people have greatly invested in education in various disciplines leading to an increase of skilled labour supply thus an increase in competition for employment. This scenario has brought up competition for talented employees among employers who wish to retain their workforce. Researchers have carried out various studies on the factors that influence retention or turnover. Shaw et al (1998) noted that employees will remain with an organization as long as it serves their self-interest better than the alternatives available to them. Other studies

have indicated that compensation in form of base or variable pay may not be sufficient to attract or retain employees. The most significant retention predictors included intrinsic fulfillment and working conditions rather than monetary rewards. Similarly, the study by Walsh (2007) revealed that although compensation and work-life balance are important, it is the absence of opportunity for professional growth and development that affects management retention and turnover.

Though the stream of research on employee turnover has been voluminous, many of the studies in the organizational sciences have focused on individual-level predictors of turnover with less attention given to the effects of human resource management practices on employee turnover and retention at the organization-level. Delery (2006) found that results-oriented performance appraisals were strongly related to return on equity and other financial measures of performance. It is difficult to link the effects of different HR policies on retention because of the twin problems of the number of other factors affecting employees' needs. However, it is only by working in this area that our knowledge will improve.

In view of the large costs associated with employee turnover HR managers need to work out HR policies that enable them to retain their talented employees (Horwitz *et al.*, 2003). These policies are often bundled under the term "retention management". Retention management is defined as "the ability to hold onto those employees you want to keep, for longer than your competitors" (Johnson, 2000). Over the past decades numerous publications have addressed the issue of employee retention. Academic research has proposed turnover models in which the key mechanisms of the turnover process are defined, including affective factors, behavioral intentions and job search mechanisms (Steel, 2002). Other studies have addressed the relationship between specific types of HR practices such as career development or work-family initiatives and employee retention (e.g. Horwitz *et al.*, 2003; Hsu *et al.*, 2003). In addition to this academic work, many practitioner-oriented books outline strategies for effective employee retention. Widely discussed retention factors include the provision of an attractive package of financial rewards and employee benefits, job enrichment initiatives, career perspective, training and development opportunities, a supportive work environment, and initiatives to improve work-life balance (Allen *et al.*, 2003). The basic tenet in these publications is that HR managers should take into account these factors when developing retention policies. However, most empirical

studies on retention management only address one or a subset of retention factors, which makes it impossible to assess their relative embeddedness in the retention practices put in place by HR managers. Moreover, an important omission in many studies is a focus on how these factors affect the individual's decision-making process.

Shaw *et al.*'s (1998) study further noted that employees will remain with an organization as long as it serves their self-interest to do so better than the alternatives available to them elsewhere. Research shows that an organization risks employee turnover when it does not fulfill its promises regarding valued inducements. When working out retention policies, it is thus important for organizations to identify the factors that operate as motivators for retention and consider the value attributed to those factors by employees (Maertz and Griffeth 2004). Applying the perspective of the psychological contract might therefore be useful for understanding the relative importance of retention factors in employees' employment deal. .

Research Design

The design that was used in this research was descriptive survey. Descriptive survey was used because it was intended to provide statistical information about aspects of discipline that interest policy makers and educators. The research study involved the collection of data on influence of human resource policies to employees' retention in petroleum industry, a case of Hass petroleum. The study was conducted at Hass Petroleum headquarters located in Nairobi, Upper hill. The target population for this study was all the staff of Hass Petroleum headquarters in Nairobi. Hass Petroleum headquarters had a staff of 60 employees who were in different departments at the time of the study.

The study was carried out through the use of a questionnaire. The instrument included questions that brought out employees views on their knowledge of specific HR policies and the extent of influence they have on their retention.

To enhance validity of the instrument a pilot study was carried out. Reliability of a research instrument refers to its level of internal consistency over time. To determine the reliability of the questionnaire, the researcher, with the help of the supervisors assessed its clarity to improve the quality of the research instrument by increasing its reliability. Data processing was carried out

through various steps that included; data editing, coding, classification, tabulation and finally presentation of data in various forms to ensure that it is meaningful.

Data analysis involved computation of descriptive statistics. Data was analyzed with the help of the Statistical Package for Social Sciences (SPSS) computer program. The percentages were used to express the degree of response to a given opinion. Factor analysis was also be used to determine the contribution of each variable on employee retention; Employee retention= f (training, promotion, reward). A six-point likert scale was used to measure importance of the factors considered. Results were then summarized and presented in tables and charts.

FINDINGS AND DISCUSSIONS

Influence of training on employee retention

Employees who value knowledge and skills for their career growth may be more willing to work for an employer who constantly equips them with new knowledge through training. The study sought to find out if given an opportunity for extra training the employees in Hass Petroleum would actually leave their employer to embrace the opportunity. The intention to remain in the organization reflects retention while the intention to quit from the organization depicts potential turnover. The findings indicated that, 50.9% of the respondents would actually leave their employer for a training opportunity while 49.1% would not.

The Promotion Policies

Promotion refers to the procedures of a company that enables the management to obtain the best talent available within the company to fill more senior posts and to provide the employees with the opportunity to advance their careers within the company and in accordance with the opportunities available and their own abilities. The study sort to identify the number of employees promoted since they joined Hass petroleum. It also sought their opinion on the extent of fairness of the promotions processes. The findings indicated that 52.7% of employees have been promoted, at least once, since they joined Hass petroleum while 47.3% have never been promoted.

Fairness of Promotions exercise

Any employee working in any organization would wish to and always hopes to be promoted in order to grow in the career and also for the increased rewards and privileges associated with most of the promotions. The promotion process should therefore be carried out fairly so that it does not elicit negative feelings that may influence employees' decisions to quit their working relationship and thus affecting turnover. The promotions policies should take care of the fairness of the process. The study sought to find out the extent of fairness of promotions process from the perspective of the employees. The results are as shown in figure below.

Fairness of promotion exercise

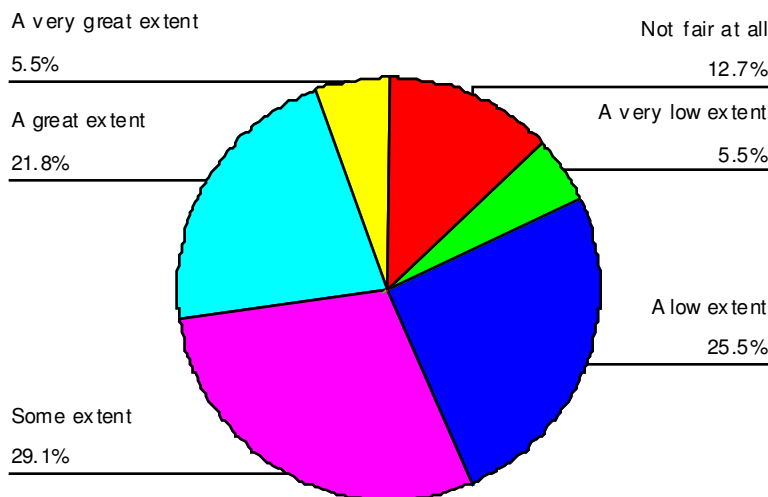


Figure 4.41

The result findings show that 29.1% (16) of employees felt that the fairness of promotion exercise in Hass petroleum is only to some extent, 25.5% (14) felt it is to a low extent, 21.8% (12) to a great extent and 5.5% (3) to a very great extent. However, 12.7% (7) of the respondents felt that the exercise is not fair at all while 5.5% (3) felt that the process is fair only to a very low extent. The mean of the findings is 3.58. According to the specified meaning, it can be concluded that the employees felt that the promotions exercise is fair only to a low extent.

Impact of promotions on employee retention.

Employees who apply for jobs of higher ranks in other organizations indicate that they yearn to be promoted to those higher ranks. In many cases, these are talented and experienced employees who feel they can take up more challenging roles. It is a great loss to the organization when these employees leave their employer, both in terms of training and obtaining their replacement. Promoting them in their current organizations would result to retain them. It is therefore important to identify them and actually inform them that they would be considered for promotions. The study sought to find out the impact of promotions on employee retention by asking the employees if they apply for jobs of higher ranks in other organizations. The results obtained were as shown in figure 4.42 below.

Frequency of application of jobs of higher ranks

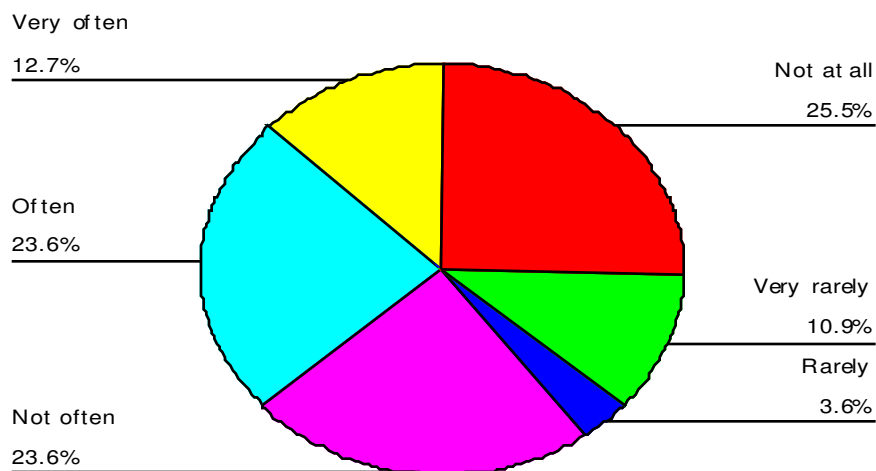


Figure 4.42

From the study, 12.7% (7) of employees apply for jobs of higher ranks in other organizations very often, 23.6% (13) often apply, 23.6% (13) do not apply often, 3.6% (2) rarely apply, 10.9% (6) apply very rarely while 25.5% (14) do not at all apply for jobs of higher ranks in other organizations. From the findings, only 25.5% of the employees in Hass Petroleum have never been interested with promotions. The rest have at some point or regularly feel the urge to take up

higher positions in their work life and if those opportunities come their way from other employers, it is possible to lose these employees.

The Reward Policies

Employees and employers engage in a relationship that entails the employees to work for the employers and the employers to reward the employees according to the set agreement. In some cases, employees may take up a job because it has adequate rewards while in most of the cases, especially in the current phenomena of excess labour supply, the employee may take up a job for lack of otherwise. The employees who feel adequately rewarded are motivated to work for their current employers for long while those who feel inadequately rewarded do not feel motivated to work harder and in most of the cases they always look out for employment relationships with better rewards. The study sought to find out if the employees felt adequately rewarded for their work in Hass Petroleum. The results indicate that 54.5% (30) of the employees felt that they were not adequately rewarded for the work they do in Hass Petroleum, 36.4% (20) felt they were adequately rewarded for their work. 9.1% (5) of the employees did not know whether or not they are adequately rewarded for their work. From the results, more than half the number of employees in Hass petroleum feel inadequately rewarded. This poses a potential turnover. However, this can be mitigated by establishing the different types of rewards that employees would appreciate and use them to reward employees. It is interesting that the rewards that would greatly retain most employees are non-financial rewards that would cost the organization very little as compared to loss of their talented work force.

Impact of rewards on employee retention.

The study sought to find out the impact of rewards on employee retention by asking the employees if they apply for jobs of greater rewards in other organizations. The results obtained were as shown in figure 4.51 below.

Frequency of application of jobs of greater rewards

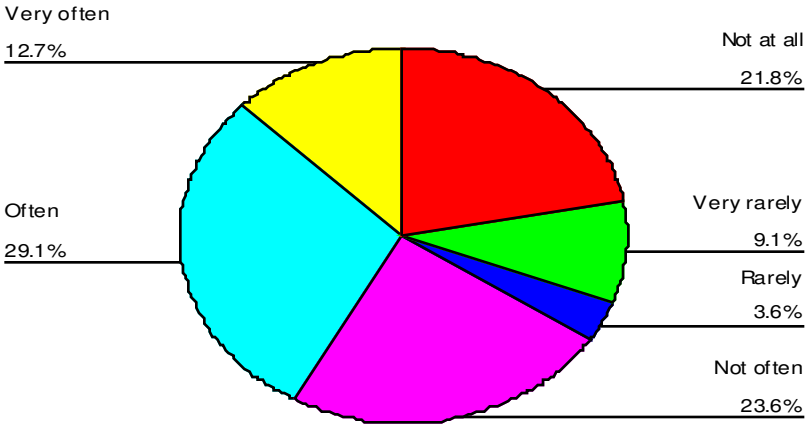


Figure 4.43

From the study, 12.7% (7) of the employees very often apply for jobs of greater rewards in other organizations, 29.1% (16) often apply for jobs of greater rewards, 23.6% (13) apply for jobs of greater rewards but not as often, 3.6% (2) rarely apply for jobs of greater rewards. However, 9.1% of the employees very rarely apply for jobs of greater rewards while 21.8% (12) do not at all apply for jobs of greater rewards from other organizations. These are the employees, 21.8 %, who can be said to be contented with the rewards they get for their service in Hass Petroleum. The rest, 78.2%, at one point or the other feel that the rewards are inadequate thus, posing a potential turnover.

Table 4.44 Influence of reward on employee retention

Type of reward	6	5	4	3	2	1	Sum	Mean
Base Pay	26	18	3	2	4	2	274	4.98
Non financial rewards	13	30	4	2	4	2	260	4.73
Employee benefits	20	22	5	1	5	2	265	4.82

The findings indicate that respondents rated the three types of rewards with means scores of between $M = 4.73$ and $M = 4.98$. To the nearest whole number, $M = 5.0$. This indicates that rewards generally influence employee retention to a great extent. Influence of individual types of rewards on employee retention is as calculated below.

Influence of base pay on retention = $(26+18+3)/55 * 100 = 85.45\%$

Influence of non financial rewards on retention = $(13+30+4)/55 * 100 = 85.45\%$

Influence of employee benefits on retention = $(20+22+5)/55 * 100 = 85.45\%$

Expressing retention as a function of base pay, non-financial rewards and employee benefits; i.e.

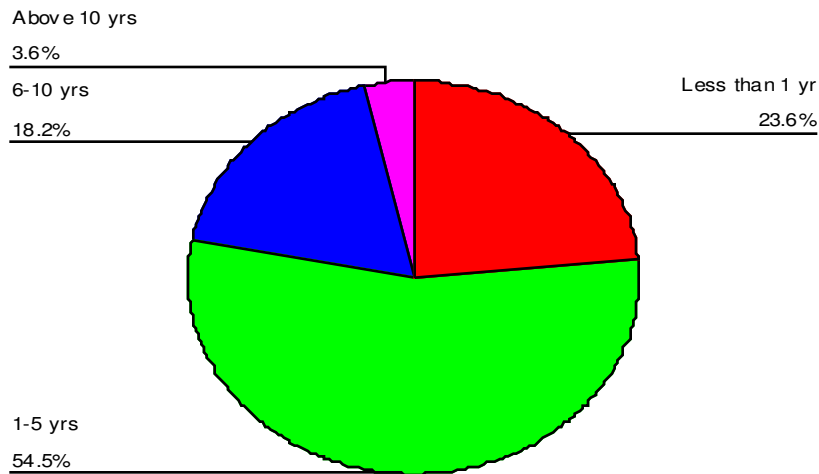
Retention = f (base pay, non financial rewards, employee benefits), the result can be expressed as;

Retention = f (85.45%, 85.45%, 85.45%)

Employee Retention

The study sought to find out the length of stay the employees intended to continue working with their current employer. The results were as shown in figure below

Expected stay in current organization



Mean	2.02
Sum	111

Figure 4.61

This was intended to determine retention of employees in Hass petroleum in terms of their intended length of stay. The mean calculated indicated that majority of employees would stay for a period of 1-5 years of service. From the organization's human resource information system, the majority of employees in Hass petroleum are between the ages of 30-40 years. This generation of employees is very difficult to retain in one organization as they are constantly looking for an employer who they would be comfortable to work with until their retirement. From the study findings, almost all employees have worked for less than five years but they are willing to be in the employment for a period of another five years on average. This is a clear indication that those who are currently in the organization are not be willing to stay with their employer for more than five years. This means that by the time they leave, their employer will have invested a lot of resources towards their development. It is therefore advisable that the organization review the retirement benefits policies as a means of retaining the workforce. This will go a long way towards retaining them for a longer period. The employees should be greatly involved in the review of these policies.

Influence of HR Policies on Employee Retention

The study also measured the extent of influence each of the three policies have on retention of employees in Hass petroleum. The study used a 6-likert scale where numbers represented different extents

Table 4.71 Influence of HR Policies on Employee Retention

Employees frequency								
Policies	6	5	4	3	2	1	Sum	Mean
Training Policy	13	26	7	5	3	1	258	4.69
Promotions Policy	17	16	13	2	7	0	254	4.62
Rewards Policy	17	26	4	2	4	2	264	4.80

The findings indicate that respondents rated the three policies with means scores of between $M = 4.62$ and $M = 4.80$. To the nearest whole number, $M = 5.0$. This indicates that the three HR policies generally influence employee retention to a great extent. Influence of individual policies on employee retention is as calculated below.

Influence of training policy = $(13+26+7)/55 * 100 = 83.64\%$

Influence of promotions policy = $(17+16+13)/55 * 100 = 83.64\%$

Influence of reward policy = $(17+26+4)/55 * 100 = 85.45\%$

Expressing retention as a function of training policy, promotions policy and reward policy; i.e.

Retention = f (training policy, promotions policy, reward policy), the result can be expressed as;

Retention = f (83.64%, 83.64%, 85.45%)

This means that training policy and the promotions policy has got 83.64% influence per each on employee retention, while the rewards policy has 85.45% influence on employee retention.

Reasons that led to exit of former employees

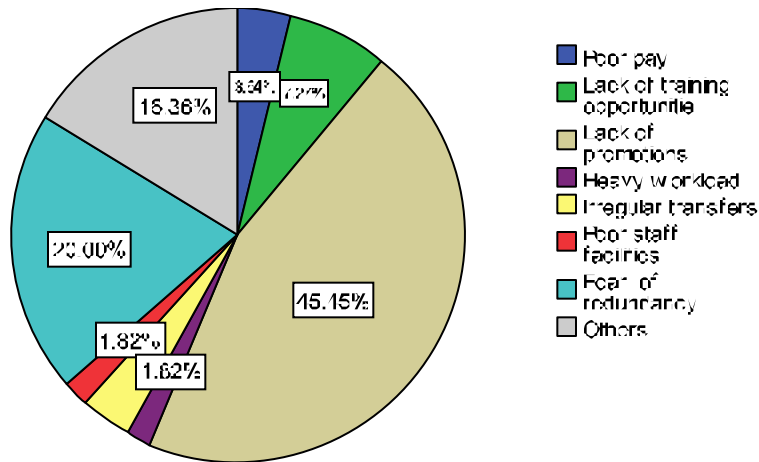


Figure 4.71

The study sought to find out from the employees the reasons their former colleagues had that led to their exit. The results obtained were as shown in figure 4.72 above. This shows that the majority of employees, 45.5% left for lack of promotions or stagnation in the same level.

Summary Findings

The study sought to investigate the influence of HR policies on retention of employees in the Petroleum Industry. The specific objectives guiding this study were; to investigate the influence of the training policy on retention of employees in Hass petroleum, to establish the influence of promotions policy on employee retention in Hass petroleum and to determine the influence of the reward policy on employee retention in Hass petroleum.

A survey research design was employed to collect primary data from a sample of 60 employees of Hass Petroleum in Upper hill, Nairobi. The primary data was collected using structured questionnaires. Data was analyzed with the help of the Statistical Package for Social Sciences (SPSS) computer program. Simple descriptive and inferential statistics was used to analyze the survey data. Study findings were represented by frequency tables, graphs, pie charts.

On the basis of study objectives and data analysis, the results support the following summary findings:

The findings of the study indicate that all the employees of Hass Petroleum are aware of the existence of HR policies. However, not all of them had read them. From the findings, the majority of employees think that the purpose of HR policies is to guide the relationship between the employees and the administration; others think it is meant to guide issues relating to reward, training and promotions, to others it's a legal compliance requirement while some think it's a document like any other in the organization. However, there are a few employees who do not know the actual purpose of HR policies. It's evident that much has not been done in informing the employees the importance of HR policies. Also, only a few employees feel that the HR policies advocate for fair treatment of the employees. The rest feel they do not while some do not know if the HR policies are fair or not.

On the major challenges affecting effective formulation and implementation of the HR policies, majority of the respondents claim not to have been involved in the process of formulation and implementation of HR policies. Some attribute the challenges of HR policies to lack of adequate communication, some claim they were not trained about the HR policies while the rest attribute the failure of HR department to be the challenge that affect effective formulation and implementation of HR policies. Some employees felt they were not adequately trained on the content of HR policies or new changes, others felt their needs were not considered in the formulation or review of HR policies.

On the specific HR policies, some employees have taken part in an extra training other than the orientation training they went through when they got employed in Hass petroleum. According to them, the benefits of training in Hass petroleum is acquisition of improved skills and knowledge. From the findings, about half of the employees would actually leave their employer for a training opportunity while the rest would not.

From the findings, more than half of employees have been promoted, at least once, since they joined Hass petroleum while the rest have never been promoted. However, it was evident that employees are only aware of vertical promotions (movements along organizational ranks). However, the promotions exercise is not viewed to be fair by the

employees. Employees feel that their length of service and level of education are considered to a low extent. Employee's performance at work is considered to some extent while special training undertaken is considered to a very low extent during the promotions exercise. The findings indicate that more than a third of employees apply for jobs of higher ranks in other organizations. This poses a potential turnover.

On the rewards policies, more than half the number of the employees felt that they were not adequately rewarded for the work they do in Hass Petroleum, a third felt they were adequately rewarded for their work, while the rest of the employees did not know whether or not they are adequately rewarded for their work. In that light almost half of them apply for jobs of greater rewards from other organizations. This also poses a potential turnover. The findings indicate that rewards generally influence employee retention to a great extent. However, base pay has the greatest influence, followed by employee benefits and non financial benefits.

Employees retention in Hass petroleum in terms of employees' intended length of stay indicates that majority of employees would stay for a period of 1-5 years of service.

The study indicates that the three policies; Training, promotions and rewards policies influence employee retention to a great extent.

Conclusions

The study aimed at investigating the influence of HR policies on employee retention in the petroleum industry by taking the case of Hass Petroleum. The study investigated on the concept of HR policies from the employees' perspective. It also investigated on the influence of three policies on employee retention. These policies are; training policy, promotions policy and rewards policy. The study findings are useful in providing clear understanding on the influence of these policies on employee retention in the petroleum industry. Based on the survey findings, the study made the following conclusions:

The study established that all the employees were aware of the existence of HR policies. However, not all of them had read the HR policies by the time of the study. The employees were also aware that the main purpose of HR policies is to guide the relationship between the management and themselves. It was also evident that little efforts have been made by individual

departments to highlight to the employees the importance of HR policies. The study also established that the employees do not think the HR policies advocate for fair treatment of all employees. The study also established that the major challenges attributed to failure of effective formulation and implementation of HR policies is that employees are not involved in the process and lack of adequate communication between the management and the employees. It also indicates that training on the content and changes of HR policies and consideration of employees' needs is done to a very low extent.

The study established that majority of employees have been involved in additional training which resulted to improved skills and knowledge. It also established that employees feel that only their employees' performance at work is considered to some extent while their length of service, level of education and their free will are considered to a low extent when selecting them for training. It also established that a good number of employees would leave their employer for another one who would promise training opportunities.

The study established that more than half the number of employees had been promoted at least once since they joined their current organization but they feel that the fairness of the promotions exercise is to a low extent. It also established that employees feel that when promotions are carried out, their length of service and level of education are considered to a low extent, their performance at work is considered to some extent while special training undertaken is considered to a very low extent. Given an opportunity of a higher rank, most of them would leave their current employer for the opportunity.

The study established that more than half the number of the employees felt that they were not adequately rewarded for the work they do in Hass Petroleum, a third felt they were adequately rewarded for their work, while the rest of the employees did not know whether or not they are adequately rewarded for their work. Almost half of them would leave their current employer for one who promises greater rewards. The study also established some of the suggestions the employees feel should be included in the rewards policy. It was also clear that the three types of rewards, base pay, non-financial rewards and employee benefits have a significant influence on employee retention.

The study established that majority of employees are still willing to be in Hass Petroleum for the next 1-5 years. It also established that the training policy, promotions policy and rewards policies have a great influence on employees' retention. The major reasons why the former employees left the organization revolves around the three policies. The study also established the areas in the current HR policies that the employees felt were inadequate.

Recommendations

Findings from this study indicate that despite putting HR policies in place, there is high employee turnover and even the employees working in the organization pose a potential increase in turnover. This has been attributed to partial application of HR policies and the various challenges identified by the study such as lack of training on the content and application of HR policies to employees. In view of the study findings, it is therefore imperative for elaborate and specific recommendations to address the challenges facing the formulation, implementation and application of HR policies for improvement of retention of employees in Hass petroleum. The following recommendations are therefore suggested:-

The low percentage of employees with a greater length of service indicates that employee retention measures should be put in place to enhance retention of talented workforce. The HR department should campaign for the importance of reading and understanding the HR policies to the employees as well as their purpose and importance. HR department should ensure that every department should put across measures to highlight to their employees on the importance of HR policies. Employees' views should be considered on areas that they feel that the HR policies are actually unfair. This could be achieved through workshops or seminars so that even the employees who do not know whether the policies advocate for fair treatment may get an opportunity to understand their implications.

It is an indication that training is one of the major factors that affect employee retention in the petroleum industry and it is therefore advisable that training opportunities should be increased and regularized to help retain their workforce as well as improve their skills. About 50% of employees would leave their current employer for one who will have more training opportunities

The HR department should involve the employees in the process of formulation and implementation of the HR policies in order to ensure that their contributions and concerns are considered. Effective communication between the management and the employees should also be enhanced in the process. These steps would ensure the employees own the policies and thus not have the perception that they have been imposed on them unfairly. Adequate and comprehensive training should always be carried out to all employees whenever changes about the HR policies are made.

The management should tie a tangible reward to every training exercise conducted so that employees will be encouraged to attend training sessions and therefore improve their performance or output. While selecting employees for training, some factors ought to be considered such as; length of service, level of education, performance at work and personal free will. However, these considerations should be communicated to employees so that they may feel the process is fair and actually identify a training need. Training has a positive influence on employee retention; it should be embraced by organizations in pursuit of retaining their workforce as well as improving their talents.

The promotions exercise should be communicated to employees so as to make them understand the basis of arriving at such considerations. This can be enhanced by communicating to employees the factors considered for promotions. Employees largely consider vertical promotions only. Efforts should be made by the management to help employees understand and appreciate horizontal promotions, which entail addition of responsibilities while at the same time maintaining the title, as opposed to moving through ranks as it may not be possible to be regular. This should also be tied to some little rewards and would have a positive impact on retention.

During the interviews, the management should find out from their potential employees the rewards they expect. They should also agree on the terms and whenever changes on the rewards policies are made, employees should be largely involved. Their views should also receive appropriate consideration. The organization should therefore have numerous rewards of various types tied to performance. Because every human being likes being recognized, rewards will go a long way in retaining a pool of talented workforce.

Follow-up Research

The study has only evaluated the influence of only three policies on retention. Further study should be done to investigate the influence of other policies on employee retention.

There are other factors that influence retention of employees other than HR policies, further research should be done on the extent of their influence on employee retention.

The findings of this study largely reflect the situation in the petroleum industry. Further research should be conducted to evaluate situations in other industries.

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